



USAID Kenya Business Development Services Program (Kenya BDS)

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Deloitte Touche Tohmatsu Emerging Markets, Ltd.

QUARTERLY PERFORMANCE MONITORING REPORT ? 1

FOR THE QUARTER ENDING 31 DECEMBER, 2002

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INTRODUCTION

The following document represents the first Quarterly Report to be submitted on behalf of the Kenya Business Development Services Program (henceforth Kenya BDS), which comprises the implementation period 30 September – 31 December, 2002. The first quarter has been largely dedicated to administrative and logistical issues associated with Program startup. However, scheduling of the first quarter has coincided nicely with the calendar year. The Kenyan presidential elections and holiday period provide a timely interlude, as a complete focus on technical activities will commence on 2 January 2003.

This document is organized in accordance with the progress reporting requirements detailed in Section F.6 of the Kenya BDS contract.

PRINCIPAL TECHNICAL ACTIVITIES - TARGETS AND RESULTS FOR QUARTERLY REPORT NO.1 PERIOD

The technical activities for the first quarter of Kenya BDS have been largely devoted to workplan development, discussion of inter-project coordination with other SO7 contractors, and commencement of Activity 1 – Subsector Selection.

Inter-Project Coordination

Following award of the Maize, Dairy, and BDS contracts, an “inter-project” coordination meeting was held on 29 October in Washington, D.C. In attendance were representatives of Deloitte Emerging Markets, ACDI/VOCA, Land O’ Lakes, Action for Enterprise (AFE), and the USAID/Office of Microenterprise Development. The purpose of the meeting was to discuss the role of the STTA Unit, as well as the Kenya BDS Program in BDS market facilitation activities prior to mobilization. While the scope of work for AFE was clear, (to assist contractors with workplan development, monitoring and evaluation, and the subsector/business services approach), the role of Kenya BDS was being revisited. It was undetermined whether the program would operate within 2-3 self-selected subsectors as originally envisaged, or if it would limit assistance in BDS market facilitation to the maize and dairy subsectors already assumed by other contractors.

Following a series of discussions within USAID/OMD, USAID/Kenya, and SO7 Contractors, it was decided that the Kenya BDS Program would operate independently of the maize and dairy subsectors, and proceed per the original proposal submission. This role was confirmed at the introductory meeting for SO7 Contractors on 14 November. As experts in BDS market development, the Kenya BDS Team will play a critical role in the sharing of experience and knowledge transfer related to best practice in BDS facilitation strategies. The program will host periodic meetings to review best practices, explore innovations in market facilitation that can be shared among practitioners, and advance the learning agenda through case studies and practical examples from the field.

Subsector/Business Service Approach (SBS) Workshop

From 19-22 November, David Knopp, Muli Musinga, and Alex Njinju attended a four day workshop on the Subsector/Business Service Approach to program design. Ken Smarzik, the

Deloitte Home Office Technical Backstop, also participated in the event. The workshop was Frank Lusby and Henry Panlibuton from Action for Enterprise, and attended by USAID/Kenya, USAID/OMD, and all principal SO7 Contractors (ACDI/VOCA, Deloitte Emerging Markets, Land O' Lakes).

The primary objective of the workshop was to provide an overview of BDS market development as well as the subsector approach to market facilitation, and to review individual program strategies within the business services framework. The workshop provided an excellent overview for those new to the SBS approach, and a chance to revisit program strategy within the market development paradigm. It also provided SO7 Contractors a chance to meet and discuss cross-cutting issues such as monitoring and evaluation. For the Kenya BDS participants, the conceptual framework presented during the workshop was more of a review, as the year one workplan and technical proposal had already been based upon the SBS approach.

Development of Technical Workplan

The formal Year One draft workplan was submitted on 7 November to USAID/Kenya. While the technical activities and timing detailed is complete, the monitoring and evaluation component has yet to be finalized. This is largely a result of the need for USAID/Kenya to formalize the Performance Monitoring Plan (PMP), as well as the SO7 contractors to establish a common performance measurement framework. The STTA Unit will lead the effort to synergize impact and results monitoring and reporting beginning mid-January 2003. In the interim, the Kenya BDS Program will establish its own performance measurement guidelines using the causal model.

Subsector selection

Kenya BDS initiated technical efforts with "Activity 1 – Subsector Selection" which commenced on 16 December. The selection team, comprised of David Knopp, Muli Musinga, and two local micro-enterprise experts - Sunita Kapila and Stanley Karuga, will conduct an analysis of subsectors of high growth potential over a three- week period. Sub-sector selection will follow a methodical approach, which balances the objectives of Kenya BDS with specific criteria for increasing rural household incomes.

The initial task was to conduct a technical "brainstorming session," where a list of 20 potential subsectors were identified. Selection criteria included: 1) size of the subsector; 2) potential for rural outreach; 3) linkages to poverty; and 4) potential for growth. After a discussion of the laundry list, an "attractiveness matrix" was applied which measured potential for increased outreach against potential for increased economic growth, with the low, medium, and high classifications. Based upon this matrix, as well as an extensive discussion of additional evaluation criteria, a shortlist was further narrowed to the subsectors of: 1) fresh and processed fruits; 2) vegetable extracts, herbs and spices; 3) fisheries; 4) oilseed and vegetable oil crops; 5) organic pesticides and herbicides; 6) and roots and tubers.

Over the next 2.5 weeks the team will conduct an assessment of each of the six specific subsectors identified. The objectives of these assessments will be to:

- Collect information on each subsector in relation to specific selection criteria. The information will be both quantitative and qualitative in nature, and will draw from a

variety of primary and secondary sources of information. However, direct research with key stakeholders and informants from the subsector will be essential.

- Describe the primary actors operating in the subsector (producers, manufacturers, input suppliers, wholesalers, retailers, etc.) including their roles and interrelationships.
- Create a “blue-print subsector map” of each targeted subsector. Each map will present, in graphical form, all the major activities in the targeted subsector. They will include the various horizontal and vertical relationships, as well as the supply channels that transform raw materials into finished products, distribution of those products to final consumers, and the different markets or market segments to which products are sold.

The selection team will reconvene following the assessments to discuss principal findings, as well as score and rank each of the six subsectors according to specific evaluation criteria. The output of this activity will be the identification of 2-3 subsectors to be presented on or around 15 January to USAID, with an initial selection of 1 for program assistance.

Market Intervention Fund

Intervention Fund Manager Alex Njinju, in coordination with Home Office Technical Backstop Ken Smarzik, initiated drafting of the Market Intervention Fund Manual on 16 December (Activity 6). This will include detail on the tender and selection procedures, review committee composition, screening of recipients, evaluation criteria and award process, and structure for tracking and tranche disbursement. The manual will also detail the advantages and disadvantages of grants vs. subcontracts, and when a specific market intervention will warrant which type of funding mechanism.

Principal Administrative Activities - Targets and Results for Quarterly Report No.1 Period

Significant activities have taken place in the area of administrative and logistical start-up. Within six weeks of field mobilization, the project office has been identified and “fitted,” all local staff have been hired, formal project registration with the Kenyan NGO Board has been submitted, both office fax and telephone LAN lines are fully operational, and considerable equipment procurement has taken place.

Field Mobilization

Chief of Party David Knopp and Home Office Administrative Backstop John Hanawa mobilized to Nairobi on 5 November. Mr. Hanawa remained in-country for a total of 17 days to assist with Program start-up. Field mobilization activities have included the following:

- *Personal Housing* - Temporary housing was acquired for the initial month, where after permanent housing was identified for Mr. Knopp at St. Austin’s Gardens, an apartment complex managed by Knight Frank in Lavington. A lease was signed for personal housing on 15 November.
- *Professional Staff Mobilization* – Local residence papers and work permit for David Knopp have been submitted to USAID, and will be ready on 30 December. Local

technical staff have assumed their full-time responsibilities on the Program. BDS Specialist Muli Musinga began work on 3 December, and Intervention Fund Manager Alex Njinju reported on 16 December.

- *Administrative Staff Mobilization* - At the request of USAID/Kenya, formal position announcements for the Receptionist, Driver, and Office Manager/Accountant were posted in the *Nation* on 8 November. Interviews and reference checks have taken place for all three positions. Receptionist Bertinah Msabaa began work on 16 December, and Office Manager/Accountant Catherine Karuiru assumed her duties on 23 December. The Driver Simon Kinuthia will commence on 20 January. Each administrative staff position had applied through the *Nation* recruitment announcement.

Establishment of Program Office

On 11 November the Kenya BDS Program offices were acquired. The physical address of the Program office is: Unit No C1 L.R. 1870/IX/4, Lower Kabete Road (at the junction of Lower Kabete and Peponi Road). A mailing address was also established on 5 November, which is: Kenya BDS Program, P.O. Box 1327, 00606 Sarit Centre. Telecom Kenya has set up three lines for the Program office that are fully operational. The numbers are:

Telephone: 375-33-18; 375-3319

Facsimile: 375-33-1120

Office procurement has also commenced, with the submission of several DA-1 forms and the ordering/installation of various computer hardware and software. All office procurement is expected to be completed by the end of January 2003.

Additional Program Administration

On 4 December registration for the Kenya BDS Program was submitted to the Kenyan NGO Board. Upon submission of the registration application, an official receipt was provided which allowed the Program to continue additional start-up activities, such as establishment of a local bank account. On 5 December a foreign currency and local shilling account was opened with the Commercial Bank of Africa on behalf of the Kenya BDS Program.

PROBLEMS ENCOUNTERED AND REMEDIAL ACTIONS

To date there have been no specific problems encountered during the first Quarter of Program implementation.

It is expected however that the holiday season and presidential elections during the last two weeks of December may effectively close down most businesses and international organizations operating in Kenya until the new year.

ACTIVITIES PLANNED NEXT REPORTING PERIOD

As Program start-up nears completion, Quarter 2 of Kenya BDS will shift to the ramping up of technical efforts. Activities planned during the next quarter will include all critical steps for the first subsector selected for assistance, culminating with the release of market facilitation tenders by 21 March. Principal technical activities planned for the next reporting period include:

- Subsector analysis in the first selected subsector to identify constraints to growth and service gaps;
- The identification of appropriate BDS to address MSE constraints;
- BDS market assessments of identified services; and
- The commencement of market facilitation interventions.

In January of Quarter 2, monitoring and evaluation processes and reporting procedures will also be finalized in collaboration with the STTA Unit.

Administrative activities will include: the completion of office procurement and program start-up; submission of additional DA-1 forms for VAT waiver; development of a Kenya BDS Program Website and newsletter; and an office inaugural and press release in late January/early February to formally announce the Kenya BDS Program

FINANCIAL STATEMENT & MONITORING PLAN UPDATE

The First Monitoring Plan will be submitted with Quarterly Report 2, as the indicators and targets will be finalized with the STTA Unit in January 2003. Attached is the financial statement for the Quarter ending 31 December.

David Knopp
Chief of Party